



Canadian  
Intellectual Property  
Office

An Agency of  
Industry Canada

Office de la propriété  
intellectuelle  
du Canada

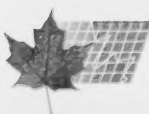
Un organisme  
d'Industrie Canada

## CIPO ANNUAL REPORT 2009-2010



Turning **ideas** into **value**

Canada

CIPO  OPIC



The background of the cover is a dark, textured black. A horizontal band of light streaks, resembling a long-exposure photograph of a road or a light trail, runs across the lower half of the page. The streaks are white and grey, creating a sense of motion and depth.

Canadian Intellectual Property Office **Annual Report 2009–2010**

# Turning **ideas** into **value**

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Client Service Centre  
Canadian Intellectual Property Office  
Industry Canada  
Place du Portage I  
Room C-229, 2nd Floor  
50 Victoria Street  
Gatineau QC K1A 0C9

Tel. (toll-free): 1-866-997-1936

TTY: 1-866-442-2476

Fax: 819-953-7620

Email: [cipo.contact@ic.gc.ca](mailto:cipo.contact@ic.gc.ca)

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# About us

CIPO, a Special Operating Agency (SOA) of Industry Canada (IC), is responsible for administering Canada's system of intellectual property (IP) rights: patents, trade-marks, copyrights, industrial designs and integrated circuit topographies.

CIPO's key functions include:

- assessing, granting and registering requests for IP rights;
- disseminating the business and technical information underlying these IP rights to allow other creators to build on existing innovations;
- encouraging invention, innovation and creativity in Canada;
- providing expert advice on IP administration to other countries; and
- promoting Canada's IP interests internationally.

Our primary clients are applicants for IP protection, agents representing those applicants, exploiters of IP systems, and the Canadian business community.

CIPO provides collaborative support to IC's Strategic Policy Sector and other government partners in the development of federal IP policies and positions as part of its larger commitment to build a competitive advantage for Canada in the global knowledge economy. In particular, the organization plays a lead role in IP administrative policy development. On the global stage, we work with the IP offices (IPOs) of other countries, particularly those of major trading partners, and with international organizations such as the World Intellectual Property Organization (WIPO) to advance Canada's IP interests.

Our self-funded status is an important factor guiding planning and operations. A reliance on the revenues that CIPO generates from its services reinforces its commitment to be effective, efficient and responsive to those seeking to establish IP rights. That commitment extends to our responsiveness to all parties and stakeholders who have an interest in CIPO's processes and activities and a focus on quality in all our work.

Additional information about CIPO is available at [www.cipo.ic.gc.ca](http://www.cipo.ic.gc.ca).



# Vision, mission and values

## **Vision**

To be a leading intellectual property office recognized for excellence in our products and services and for strengthening Canada's innovative capacity, through ongoing quality improvement, continuous development of our employees and adherence to our values.

## **Mission**

To accelerate Canada's economic development by:

- fostering the use of the intellectual property (IP) system and the exploitation of IP information;
- encouraging invention, innovation and creativity in Canada;
- administering the IP system in Canada (patents, trade-marks, copyrights, industrial designs and integrated circuit topographies); and
- promoting Canada's international IP interests.

## **Values**

Integrity

Fairness

Respect

Efficiency

Trust

Quality

Continuous improvement

# Our client service commitment

## **By telephone**

- We answer your call with courtesy and efficiency and, if necessary, refer you to the appropriate officer to deal with your enquiry in the official language of your choice.
- We record all voice mail greetings clearly in both official languages.
- We listen to voice messages at least once a day and return your call by the end of the next business day.

## **In person**

- We greet you in the official language of your choice.
- We provide you with access to an information officer at the Client Service Centre to deal with your enquiry within 10 minutes.
- If you wish to meet with a specialist, you must make an appointment beforehand.

## **General mail, email and fax enquiries**

- We correspond with you in the official language of your choice.
- We acknowledge general correspondence, email and fax requests within two working days.

If you wish to formally register feedback concerning any of the products and services offered by CIPO, please use our online feedback mechanism located on CIPO's website by selecting the "Contact Us" button.

## **How to reach us**

Canadian Intellectual Property Office  
Place du Portage I  
Room C-229, 2nd Floor  
50 Victoria Street  
Gatineau QC K1A 0C9

For general enquiries:

Tel. (toll-free): 1-866-997-1936

TTY: 1-866-442-2476

Fax: 819-953-7620

Email: [cipo.contact@ic.gc.ca](mailto:cipo.contact@ic.gc.ca)

Website: [www.cipo.ic.gc.ca](http://www.cipo.ic.gc.ca)

# Acronyms and initialisms

APEC	Asia-Pacific Economic Cooperation
ATRS	Activity Time Reporting System
CIDB	Copyright and Industrial Design Branch
CIPO	Canadian Intellectual Property Office
EBR	Enterprise Business Renewal
IC	Industry Canada
ICCMS	Integrated Client and Case Management Solution
IP	Intellectual property
IPO	Intellectual property office
IT	Information technology
MOPOP	Manual of Patent Office Practice
PB	Patent Branch
PCT	Patent Cooperation Treaty
PPH	Patent Prosecution Highway
SME	Small and medium-sized enterprises
SOA	Special Operating Agency
TATs	Turnaround times
TMB	Trade-marks Branch
TMOB	Trade-marks Opposition Board
TRIPS	Trade-Related Aspects of Intellectual Property Rights
WIPO	World Intellectual Property Organization

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## CEO message

The mission of the Canadian Intellectual Property Office (CIPO) is clearly and explicitly tied to the priorities of the Government of Canada. It is, quite simply, to spur Canada's economic development by protecting the value of new ideas so that innovators and society at large may derive benefit from them.

As a Special Operating Agency (SOA) funded entirely by user fees, CIPO not only plays a key role in supporting Canada's economic

performance, it also mirrors important aspects of it. This is because intellectual property (IP) is not just a driver of economic growth, it is also a barometer of business confidence.

The economic climate has a direct impact on the rate of growth of IP, and on CIPO's revenues in particular. This annual report discusses the impact of the macro-economic context on CIPO's operating environment, and the measures we have taken to manage through a period of uncertainty while keeping our focus squarely on key objectives outlined in our 2007–2012 Strategic Plan.

**Innovation is the heart and soul of economic development. Canada's IP system is a gateway through which innovation flows into the economy.**

2009–2010 was a year in which the global economy began to stabilize after weathering the worst recession since the 1930s. Buoyed by stimulus measures in the Government of Canada's Economic Action Plan, the Canadian economy also regained strength.

Recovery remained fragile, however, and the global outlook remained marked by uncertainty.

Cautious optimism and prudent financial management were the hallmarks of 2009–2010 at CIPO. Cost containment was undertaken in

the expectation of a flattening of revenues as a consequence of lingering global uncertainty and the hangover effect of recession.

Our prudence has paid a dividend. Economic uncertainty discourages research and development and the launch of new products and services. Fiscal year 2009–2010 was a case in point. After a prolonged period of accelerated growth, revenues began to plateau, with almost all product lines reporting mild declines in new applications. However, growth did not tail off as dramatically as had once been feared. Thanks in large measure to prudent financial management and improved business processes, the year ended with a modest surplus, slightly higher than had been forecast. ➤

Nevertheless, the imperative of offering services more effectively and using our resources more efficiently has never been so clear. While we continued to fulfill our core responsibilities of administering Canada's IP system, we also made important progress towards these objectives.

In 2009–2010, CIPO adopted a single strategic focus that is in the early stages of transforming the manner in which we interact with clients. We are moving to improved results and responsiveness through more client self-service opportunities. We will improve access to CIPO's services and build on the enhancements that are already accelerating service delivery while enabling CIPO clients and stakeholders to find the information and support they need. We are also continuing to address impediments in the existing IP administrative framework so as to provide simpler and more transparent processes with fewer delays.

Change on this scale is not possible without the commitment of our people. As a learning organization conscious of the importance of personal and professional development, we have strengthened our commitment to employee learning, and expanded opportunities for our people to gain more experience through career development opportunities.

Uncertainty presents opportunity for organizations with a vision of transformative change. CIPO's efforts in 2009–2010 have resulted in some modest, immediate improvements and, more importantly, progress towards the more significant improvements envisioned in years ahead for Canada's IP system and the clients we serve.

Innovation is the heart and soul of economic development. Canada's IP system is a gateway through which innovation flows into the economy. By making this important investment in the future of CIPO, we are investing in Canada's capacity to grow through innovation and ensure a better future for all.



**Mary Carman**  
Commissioner of Patents,  
Registrar of Trade-marks  
and Chief Executive Officer



# Introduction

During the 2009–2010 fiscal year, CIPO continued to deliver core services while progressing toward the objectives set out in its 2007–2012 Strategic Plan entitled *Moving Forward to Canada's Advantage*. The Strategic Plan is a roadmap to CIPO's vision:

*To be a leading intellectual property office recognized for excellence in our products and services and for strengthening Canada's innovative capacity through ongoing quality improvement, continuous development of our employees and adherence to our values.*

This annual report describes the actions taken and results achieved during 2009–2010, as CIPO continued to address the five strategic directions set out in *Moving Forward to Canada's Advantage*:

- improved client services;
- outreach to Canadians and particularly to small and medium-sized enterprises (SMEs) so they increase their development and use of IP in pursuit of global business success;
- an enhanced IP administrative framework of legislation, regulations and office practices;
- international engagement that contributes to the improvement of the world-wide IP system and benefits Canadians; and
- a commitment to CIPO's people through a commitment to become known as one of the best employers in the Government of Canada.

# Year at a glance

## and summary of key operational trends and activity indicators

### Key 2009–2010 Statistics (Comparative data for 2008–2009 in parentheses)

#### Patents

- 37 375 patent applications (40 796)
- 20 118 patents granted (18 251)

#### Trade-marks

- 42 213 trade-mark applications (43 526)
- 26 002 registrations (26 697)

#### Copyrights

- 9 171 copyright applications (8 424)
- 9 021 registrations (8 273)

#### Industrial Designs

- 4 598 industrial design applications (4 864)
- 5 078 registrations (5 659)

As underscored in the CEO message, global economic trends tend to have a direct impact on the level of operational activity in CIPO's product lines. Economic uncertainty reduces IP applications, in Canada and around the world, and 2009–2010 was not an exception. New applications for patents, trade-marks and industrial designs were down slightly, while applications for copyright registration were higher, although still below 2007–2008 levels.

Despite the weak global economy, however, CIPO's 2009–2010 revenues rose marginally over 2008–2009, largely as a result of prudent financial management and improved business processes.

CIPO ensured client service also continued to improve, with reductions in turnaround times (TATs) and inventories. The organization's success in reducing historic patent backlogs was noted in a study commissioned by the United Kingdom Intellectual Property Office, released in London, in March 2010.

In line with the commitments outlined in our Business Plan, CIPO made progress in 2009–2010 towards the five strategic directions established as priorities in our 2007–2012 Strategic Plan. The organization also pursued an integrated approach to our longer term agenda for service innovation through Enterprise Business Renewal, which is focused on improved, automated and personalized processes.

# A single strategic focus:

## Enterprise Business Renewal

Since its creation as an SOA in 1992, CIPO has endeavoured to improve services and operations. Over the past decade, our operating capacity has scaled upward quite dramatically to meet an equally dramatic rise in demand for IP services.

In 2007, CIPO launched an Enterprise Business Renewal (EBR) process to bring a comprehensive approach to improvement across the organization. EBR encompasses a portfolio of projects designed to transform the way the organization does business through improved operational processes and the use of new technology to expand e-business capability. The intended outcome is a more efficient, consistent and higher-quality IP system.

Because of its importance to all areas of client service and operational activity, EBR was designated as the single strategic focus for the organization in 2009–2010. To facilitate this and consolidate all expertise related to information technology (IT), the Enterprise Solutions Branch was created. The Branch is responsible for:

- IT project delivery and maintenance of existing applications;
- alignment between corporate objectives and solution delivery;
- CIPO-wide consolidation of project management responsibilities; and

- engaging internal and external clients in the planning and delivery of new e-business solutions.

The principal focus of EBR is the planned e-business portal. This will be a single, self-customizable point of online contact for clients to easily access the CIPO services and support that are most relevant to their needs. During 2009–2010, the organization assessed how well the systems now in place could be used with the portal, and considered strategic planning exercises for CIPO's increased use of the e-business tools most likely to be available through the portal.

We also made progress in 2009–2010 on the EBR Integrated Client and Case Management Solution (ICCMS) project. ICCMS will enable CIPO employees to better manage client information, interactions and case files. The project team continued to identify the high-level requirements associated with an ICCMS approach and determined what relevant products and services were already available. We will begin to plan and analyze options in 2010–2011.

To ensure that EBR is strongly client-influenced, the organization established an advisory group made up of clients and stakeholders who understand current services and can offer insights to guide future EBR priorities and actions.

# Strategic direction:

## Client services



### Outcomes established in the Strategic Plan

- The delivery and quality of CIPO's products and services respond to client needs and expectations, and meet or surpass the performance of leading IPOs.
- CIPO clients including the public can easily locate the information and people they need.

### Strategic direction and achievements

CIPO's services are largely delivered to clients in other countries seeking

IP rights in Canada. For example, over 50 percent of trade-mark applications, 82 percent of industrial design applications and 86 percent of patent applications originated abroad in 2009–2010. Our clients naturally expect a quality of client service on par with international standards.

The organization made impressive strides in the quality of client service in 2009–2010, meeting 83 percent of our client service standards targets. This represents significant improvement over the 69 percent performance in the previous fiscal year, and reflects sustained commitment by our people to meet aggressive business targets.

CIPO pursued client service objectives through three types of activities: ➤

- specific activities within business lines to improve timeliness and quality;
- the effective provision of information to clients; and
- initiatives to improve the ability of clients to conduct business with CIPO electronically.

### *Specific business line activities to improve timeliness and quality*

#### **Copyright and Industrial Design Branch (CIDB)**

A review of internal business processes undertaken as part of CIDB's quality management approach highlighted inefficiencies in the industrial design examination process and identified areas that could be streamlined. In order to improve service to clients, CIDB merged the pre-examination and examination functions to offer clients a more complete examination earlier in the process. This change has resulted in improved TATs for applications awaiting a first action, reducing the number of reports as well as the total amount of time it takes from filing through to registration.

#### **Patent Branch (PB)**

The consistent approach of bringing on board new examiners with specific skill sets enabled PB to surpass previous disposal production results by 8 percent. In addition, PB reduced the inventory of applications with a request for examination waiting for a first office action by 12.6 percent.

#### **Trade-marks Opposition Board (TMOB)**

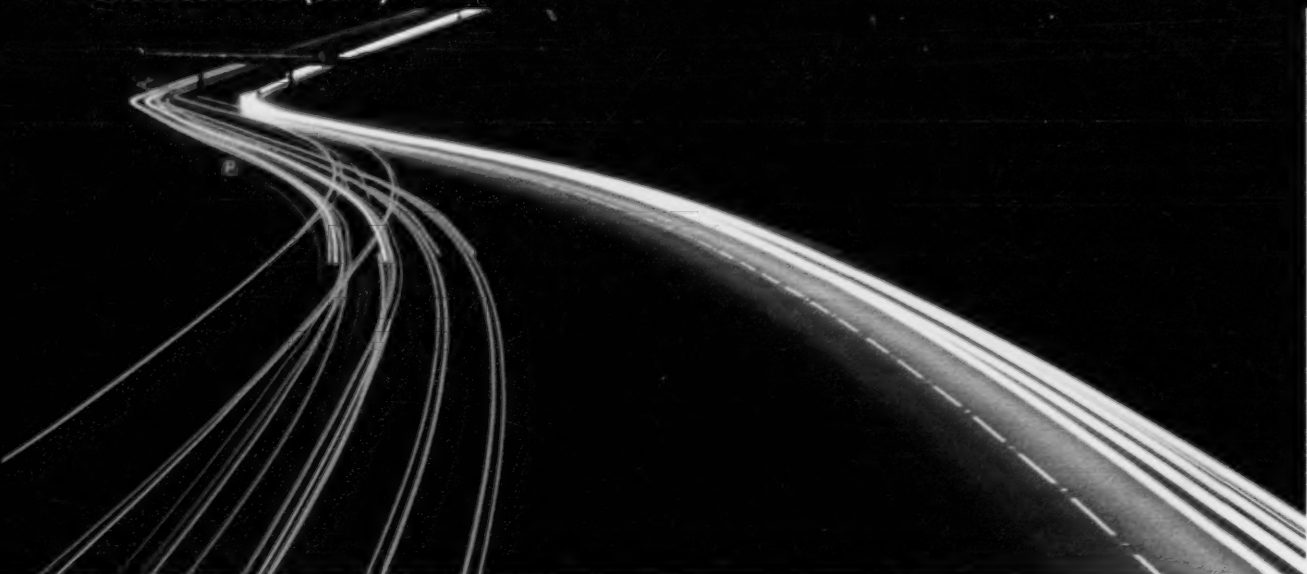
The parties' ability to postpone TMOB hearings was eliminated and the frequency and duration of extensions of time that could be requested by parties were reduced in order to streamline proceedings, encourage early settlement by the parties and over time reduce the overall time it takes cases to reach final decision.

#### **Trade-marks Branch (TMB)**

TMB completed an assessment of the TM Headstart program which is delivered by Intellectual Property Australia and the United Kingdom Intellectual Property Office. This program, available online, aims to help unrepresented owners seeking trade-mark protection by providing an upfront service that identifies potential problems with the desired registration. TMB will use its assessment to consider the feasibility of launching a similar program. →

# Strategic direction:

## Client services (cont.)



### *Provision of information to clients*

Providing information about the IP system promotes client understanding and use of that information. The organization continued to seek ways to make information more readily available and to improve access to CIPO staff. Much of this took place through new information offerings on the website, including:

- information aimed at patent agents concerning the Patent Branch, including available services;
- calendars of the monthly hearing schedule for TMOB, as well as a summary of decisions webpage that highlights recent TMOB decisions and links to copies of all decisions;
- a Work in Progress section that describes possible initiatives related to trade-marks and TMOB policy and

practice issues for early comment and feedback before formal draft proposals are developed; and

- complete information on the status of all active section 45 and opposition cases on the Trade-marks Database.

CIPO also refined bilingual features of some elements of its website to broaden accessibility and make them more consistent with Government of Canada practice.

These include:

- bilingual search capabilities in the Patents Database, the Trade-marks Database, and the Industrial Designs Database;
- bilingual abstracts in the Patents Database allowing users to search in both official languages on patent abstracts originating from Canadian applications published since 2002 under the Patent Cooperation Treaty (PCT); and
- bilingual titles of industrial designs. ➤

### *Conducting business with CIPO electronically*

The organization introduced changes to its website and new functions that improved client service. These changes included:

- introduction of a printable, online fee payment form;
- application of Government of Canada Common Look and Feel 2.0; and
- launch of an online mailing list to enable proactive communication with TMB and TMOB stakeholders and clients.

CIPO also worked on the development of online applications for filing of statements of opposition and requests for extensions of time for TMOB proceedings featuring:

- automatic recording in the Trade-marks Database of statements of opposition and first extensions of time to oppose a trade-mark;
- receipt of immediate confirmation that the statement of opposition or request for an extension of time has been filed successfully;
- quicker response times thanks to reduced handling and administration of documents; and
- the ability for parties involved to view and print the statements of opposition and extensions of time which have been filed online in their case.

# Strategic direction:

## Outreach



## Outcomes established in the Strategic Plan

- Canadian SMEs have gained competitive advantage through the effective use of IP assets and information.
- Post-secondary graduates are aware of the benefits of IP and using IP information so that they will be better positioned to contribute to the realization of the business value of IP.

## Strategic direction and achievements

On outreach, CIPO's strategic direction underlines our commitment to promote

awareness of the benefits of IP so as to increase the generation and use of IP for Canada's economic benefit. The organization began to review its approach to outreach in 2008–2009. The updated strategy will guide efforts to:

- promote the economic value of IP among SMEs;
- promote IP awareness among post-secondary students;
- build partnerships among key players in a position to disseminate IP awareness, knowledge and effective use;
- engage intermediaries in IP promotion by providing them the necessary training; and
- build the capacity within CIPO that is necessary to deliver the outreach strategy. ➤

While this work advanced, CIPO pursued established approaches:

- We delivered 36 IP case study sessions in 27 educational institutions, reaching more than 1000 students. Professors reported that the case studies were effective in raising awareness about IP, and that they would consider using case studies again as a learning tool.
- Working in partnership with the Department of Foreign Affairs and International Trade, we developed training sessions for trade commissioners on the basics of IP. In 2009–2010, the organization delivered three training sessions to 53 trade commissioners.

As a result of this training, trade commissioners will be in a better position to refer SMEs and other clients to IP resources.

- CIPO's four business development officers, based in offices across Canada, delivered 66 information sessions to 1987 participants (mostly SMEs), and 11 training sessions to 121 participants.
- Bank of Speakers delivered 48 information sessions to 1616 business participants.
- CIPO connected with 6500 SMEs and other members of the business community at 39 trade shows.
- Client Service Centre handled 50 000 enquiries and over 20 000 requests for documentation.

# Strategic direction:

## IP administrative framework

### Outcomes established in the Strategic Plan

- Canada's IP administrative framework is internationally competitive.
- CIPO leverages its expertise to contribute to the domestic IP agenda.

### Strategic direction and achievements

Canada's IP administrative framework includes legislation, regulations and office practices. The organization works with stakeholders and international partners to manage the IP framework for the benefit of Canadians. It does so by identifying, supporting and making changes that will make the administrative framework more accessible to clients and stakeholders and more competitive with other IPOs.

CIPO initiatives to improve the IP framework fall into three categories:

- a sound IP framework;
- a modern IP framework; and
- an innovative IP framework.

#### *A sound IP framework*

The organization is working to ensure its office practices as well as the

federal regulatory and legislative framework operate as efficiently as possible and that relevant information is accessible to clients, stakeholders and the general public.

#### **Manual of Patent Office Practice (MOPOP) improvements**

To this end, CIPO made improvements to the MOPOP, the guide on patent application procedures and practices. Two extensively revised chapters of the MOPOP came into force in December 2009:

- Chapter 12 "Subject Matter and Utility" provides guidance on the types of invention that are proper subject matter for a patent, and for assessing whether an invention is useful within the meaning of the *Patent Act*; and
- Chapter 13 "Examination of Applications" provides an overview of the various stages of examination of an application as well as important guidance on how an examiner is to analyze claims during examination.

#### **Amendments to Patent Rules**

CIPO also consulted with stakeholders on proposals to amend the *Patent Rules* related to agents and final action:

- The agent proposal seeks to harmonize the qualifying examination process and eligibility criteria to sit for the examination for patent and trade-mark agents. This change will ensure that only agents with sufficient knowledge of IP law enter the agency practice. The amendments provide increased flexibility in the ➤

administration of the examination and an increase in the efficiency of the examination process.

- The final action proposal includes amendments to the *Patent Rules* to provide for a clearer process for all post-final action matters dealt with by the Patent Appeal Board. In addition, minor changes are proposed to the re-examination process.

The consultations were used to shape the final wording of proposals that are expected to begin the formal approval process in 2010–2011.

### **Section 19 of the *Patent Act***

Finally, an internal review of royalty setting practices, issues and trends was undertaken to determine how best to determine remuneration should the Commissioner of Patents be requested to authorize the use of a patented invention by the Government of Canada or a provincial government under section 19.

Sections 19 to 19(2) of the *Patent Act* provide such authority, provided that prior efforts had been made to obtain permission from the patent owner to use their patented invention on reasonable commercial terms and conditions, except in cases of national emergency. The Commissioner of Patents is tasked with setting adequate remuneration for the patent holder, taking into account the

economic value of the invention.

While these sections of the *Patent Act* came into force in 1994, they have never been applied. CIPO has as yet to define the process to be followed and the evidence to be produced to support adequate remuneration. A public consultation is planned in 2010–2011 to seek comments on methods and sources of information from which a royalty rate can be constructed. This will assist the organization to put in place guidelines that will improve the management of the patent system by:

- providing a framework for decision making on remuneration to patent holders in cases where use is granted to the Government of Canada or provincial governments;
- increasing the transparency and predictability of the remuneration process;
- providing patent holders with greater certainty with respect to remuneration; and
- making the process of determining remuneration efficient and cost-effective for all parties involved.

## *A modern IP framework*

### **Trade-marks**

CIPO's administrative framework should be internationally competitive and draw upon best practices from the international IP community.

In 2009–2010, the organization sought stakeholder views on possible amendments →

# Strategic direction:

## IP administrative framework (cont.)

to the *Trade-marks Act* to more closely align it with the intent and principles of the Madrid Agreement Concerning the International Registration of Marks (the Madrid Protocol) and the Singapore Treaty on the Law of Trademarks (the Singapore Treaty). Such changes could:

- improve the competitive position of Canadian businesses by simplifying the administration and reducing the costs of maintaining an international portfolio of trade-marks;
- enhance Canada's attractiveness to foreign firms as a place to do business by reducing the time and resources required to acquire a Canadian registration; and
- respond to new business practices, bringing Canada in line with many of our international partners who have already adopted these elements into their trade-marks system.

### Patents

CIPO also introduced amendments to the *Patent Rules* that are to come into force in late 2010. The amendments:

- address comments from the Standing Joint Committee for the Scrutiny of Regulations of the House of Commons and Senate to clarify provisions in the *Patent Rules* dealing with legalities and procedural issues;
- improve legal certainty; and
- modernize, simplify and clarify processes, thereby reducing the administrative burden for clients.

In general, the changes will give clients a more user-friendly, fair and flexible patent system.

### *An innovative IP framework*

CIPO is committed to strengthening Canada's IP administrative framework through domestic initiatives and international collaboration.

### **Success on the Patent Prosecution Highway (PPH)**

The PPH allows an applicant for a patent whose claim is determined to be allowable by the first IPO they file it with to file the corresponding application at another IPO and have it prioritized for examination there. Currently, CIPO has PPH agreements with its counterparts in the United States, Japan, the Republic of Korea and Denmark.

Under the PPH pilot agreement with the United States Patent and Trademark Office, CIPO has received a relatively high number of requests. As a result of efforts undertaken under this agreement, the organization is able to do in three months what might take between 18 and 33 months for applications that did not make use of the PPH. In view of these benefits, CIPO continues to work toward establishing effective PPH agreements with other IPOs with whom Canadians seek patent rights.

# Strategic direction:

## International activities

### Outcomes established in the Strategic Plan

- CIPO is proactive and demonstrates leadership in advancing Canada's IP position internationally.
- The IP assistance provided to developing countries is recognized as being of high quality.

### Strategic direction and achievements

The organization's international strategy is to advance Canada's international IP position by working to strengthen the global IP system. We achieve progress towards these goals through our active participation in international fora, by working with like-minded countries to improve administrative rules and practices, and by providing technical IP assistance to developing countries.

CIPO branches are involved in providing strategic intelligence, evaluation and advice on international IP issues. CIPO works with IPOs of other countries and with organizations such as WIPO, the World Trade Organization, and the Asia-Pacific Economic Cooperation (APEC). In 2009–2010, CIPO advanced its international strategy through the following activities:

#### **Participation in WIPO meetings**

CIPO continued to convey its views and those of Canada through participation in WIPO meetings, in particular the expert and technical working groups and committees. The organization also participated in WIPO's Program and Budget Committee, the Committee on Development and Intellectual Property, and the WIPO Assemblies. CIPO's activities have continuously promoted enhanced transparency and effectiveness in governance and operations in WIPO. CIPO's participation has ensured WIPO focuses on shared priorities.

#### **Chairing Group B+**

CIPO continued to actively advance the discussion on substantive patent law harmonization by chairing the Group B+ plenary, a position it has held since 2008. While harmonization has not yet been achieved, these efforts have resulted in a greater understanding of the outstanding issues among members.

#### **Working as an international authority of the PCT**

CIPO is an international authority of the PCT, and in addition to performing search and preliminary examination work in this role, the organization actively participates in meetings such as the Meeting of International Authorities, with the goal of improving the PCT system for Canadian applicants. CIPO's participation in the PCT Working Group has focused on practical efforts to enhance the value of international search and preliminary →

# Strategic direction:

## International activities (cont.)

examination under the PCT. CIPO's support for an enhanced quality framework and innovative initiatives such as a third-party observation system will result in an improved system characterized by the rapid resolution of rights without having to amend the PCT or its regulations.

### **Participation in information IPO working groups**

CIPO continued to work with informal groups of IPOs from nations that share a similar commitment to IP administrative improvements. For instance, the organization, along with the IPOs of the United Kingdom and Australia (the "Vancouver Group") worked to improve understanding of work sharing initiatives, economic research and business performance reporting, among other issues. The organization also worked with WIPO and its counterparts in the United Kingdom and Australia on a pilot project to develop a digital library of search and examination reports.

### **Participation in APEC activities**

CIPO continued to lead the Canadian delegation at the APEC–Intellectual Property Rights Experts' Group and has maintained its membership in the Quality Assessment Framework team. CIPO's participation aims at deepening the dialogue on IP policy and exchanging information on IP issues with APEC members who represent Canada's most important business and trading partners.

### **Technical assistance to developing countries**

CIPO continued offering technical assistance to developing countries to assist in building capacity for IP rights administration and protection. This included the delivery of a joint workshop with WIPO on management techniques attended by senior IPO officials from twelve developing countries. The workshop was intended to enhance knowledge and skills of management techniques in the delivery of IP services, with a view to improving the capacity of IPOs in developing countries and to provide a forum for the exchange of ideas. By hosting the workshop, CIPO contributed to Canada meeting its Trade-Related Aspects of Intellectual Property Rights (TRIPS) obligations of providing technical and financial cooperation programs to developing and least-developed countries. CIPO provided technical assistance in the area of patents to the Antigua and Barbuda Intellectual Property and Commerce Office and to the Belize Intellectual Property Office to assist in the development of their IP systems. CIPO also provides both state-of-the-art searches and search and examination reports as part of WIPO's Patent Information Services.

### **Patent Prosecution Highway (PPH)**

As mentioned in the previous section, CIPO has four PPH bilateral work sharing agreements in place with the United States Patent and Trademark Office, the Japan Patent Office, the Korean Intellectual Property Office and the Danish Patent and Trademark Office. These are the most effective work sharing mechanisms undertaken by CIPO to date, and this international collaboration enables the organization to significantly accelerate the examination of eligible patent applications.

# Strategic direction:

## Our people

### Outcomes established in the Strategic Plan

- To be recognized as one of the best employers in the Government of Canada.
- CIPO is a learning organization where individual capabilities and organizational leadership are reinforced.
- Employees are committed, supportive and involved in their job and organization.

CIPO's operations demand a labour force with specialized knowledge. It follows that as in other similar organizations, our most valuable assets are the talent and commitment of our people.

For the second consecutive year, the organization enjoyed a retention rate of 95 percent — marginally higher than the rate for IC as a whole (93 percent). CIPO

is a slightly younger organization than IC, with an average age of 41.9 years (43.4 for IC). Thus strong retention of a younger workforce translates into a robust internal pool of future leadership talent.

Despite the relative youth of its workforce,

**Despite the relative youth of its workforce, CIPO has been particularly successful in achieving a high rate of retention among more experienced employees.**

CIPO has been particularly successful in achieving a high rate of retention among more experienced employees. Fewer than half of CIPO employees eligible to retire in 2009–2010 exercised this option. The continuing presence of these experienced employees brings greater opportunities for knowledge transfer and mentoring.

In addition to these favourable demographics, CIPO's workforce continued to more closely reflect the face of Canadian society. Employment equity numbers increased in three of the four target group areas:

- women now represent 54.1 percent of CIPO's workforce (53.2 percent in 2008–2009);
- the percentage of Aboriginal persons increased marginally to 1.7 percent (1.6 percent in 2008–2009) — still below the workforce availability level of 1.9 percent;
- visible minorities make up 13.8 percent of CIPO's workforce (11.9 percent in 2008–2009); and
- the rate of persons with disabilities declined in 2009–2010 from 3.7 percent to 3.3 percent — this is below the workforce availability level of 4.0 percent. →

# Strategic direction:

## Our people (cont.)

Other human resources activities included:

- *The use of collective staffing processes to efficiently create pools of qualified people to fill multiple job openings.* This helps to ensure that new CIPO employees have skills that can support the organization as a whole.
- *The introduction of a learning plan and learning history application.* This application allows employees and supervisors to complete and approve learning plans online and to review previous learning activities. It streamlines the registration process and allows managers to better track learning activities.
- *A customized learning program developed by the University of Ottawa's Telfer School of Management delivered to CIPO's senior executives.* This program focused on best practices and leading-edge research.
- *A continuous learning program for employees in the Examination and Operations sections of the Patent Branch.* The program helps employees maintain their professional skills and stay abreast of new developments.

# CIPO's strategic enablers

Internal functions within CIPO such as information management, communications, planning and reporting, facilities management and finance enable the organization to operate and deliver services in an efficient and coordinated manner.

Accomplishments in 2009–2010 included:

- *Groundwork for the launch of an Activity Time Reporting System (ATRS).* This tool is designed to help the organization better understand the real cost of its business activities and transactions. Information from ATRS will support decision making in areas such as developing and tracking productivity and efficiency, making process improvements and analyzing the cost/benefit of investments.
- *Measurement of performance directly against CIPO's Strategic Plan.* This initiative is enabling a shift to a performance-driven culture throughout the organization and facilitates fact-based decision making by senior executives in pursuit of strategic objectives.
- *The continued use of strategic research to support CIPO's ability to improve policy, program and service delivery initiatives and activities.* Strategic research at CIPO includes economic research, strategic analysis of priority items, data collection and maintaining links with the broader IP-related economic research community. This strategic enabler supports the organization's policy directions by conducting research on the relationship between IP and innovation and their impact on the economy. The strategic analysis function supports CIPO product lines by examining key economic factors to develop knowledge and business intelligence in support of decision making on a range of policy, regulatory and administrative improvements.
- *The development and approval of an information management strategy to serve as a foundation for CIPO's Information Management Program.* The strategy sets the stage for a phased action plan to organize and structure the organization's information holdings resulting in easier search and retrieval, and providing the governance required for managing information. In compliance with information management legislation and requirements, work began to establish standards and guidelines, to increase skills and support, and to integrate processes and collaboration to share knowledge.
- *The CIPO Resources Centre continued to support staff in meeting their work objectives.* New desktop tools enabled staff to get the quick and easy access they need to valuable online information resources, including over 50 000 electronic journals, 50 databases and 5500 e-book titles, all of which help them in tasks such as patent and trade-mark examinations. These tools were used for more than 525 000 downloads by staff. In addition, the Centre responded to over 10 000 requests for documents and maintained a print collection that was used more than 17 000 times.

## Conclusion — The path ahead



Current economic forecasts from most sources predict a prolonged period of global economic uncertainty. Around the world it will be a continuing challenge for governments, businesses, and IPOs to navigate successfully through this uncertain climate while ensuring the attainment of key strategic objectives.

CIPO has demonstrated that it has the agility required to make the operational and resource management adjustments necessary to chart an even course and respond to an environment that is in a constant state of evolution.

Moreover, CIPO has proven its ability in 2009–2010 to manage through uncertainty while continuing to make progress towards the outcomes identified in our 2007–2012 Strategic Plan.

In 2010–2011, we will build on this progress by continuing to:

- improve client service offerings to meet and surpass the performance of leading IP organizations;
- promote the effective use of IP assets and information among Canadian SMEs to build their competitive advantage;
- work to ensure that Canada's IP administrative framework is internationally competitive;
- demonstrate leadership in advancing Canada's IP position internationally;
- attract and retain individuals with the competencies that the organization needs; and
- ensure that CIPO is a learning organization where individual capabilities and organizational leadership are reinforced.

Inspired by our understanding of the critical importance of IP to Canada's economic development, and in consultation with our clients and stakeholders, CIPO will continue to administer and advance Canada's IP rights system, for the benefit of all Canadians. We will pursue our strategic objectives with the creative energy of our people and the innovative, entrepreneurial spirit of the users of Canada's IP system.

# Audited financial statements

## Management report

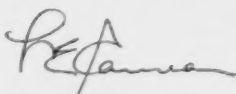
We have prepared the accompanying financial statements of the Canadian Intellectual Property Office Revolving Fund (the "Fund") as required by and in accordance with the policy of Treasury Board on revolving funds, and the reporting requirements and standards of the Receiver General for Canada. These financial statements were prepared by the management of the Fund in accordance with the significant accounting policies set out in Note 2 of the financial statements, on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of these financial statements rests with the management of the Fund. The information included in these financial statements is based on management's best estimates and judgment with due consideration given to materiality. To fulfill its accounting and reporting responsibilities, the Fund maintains a set of accounts, which provides a centralized record of the Fund's financial transactions. Financial information contained in the ministerial statements and elsewhere in the Public Accounts of Canada is consistent with that in these financial statements, unless indicated otherwise.

The Fund's directorate of financial services develops and disseminates financial management and accounting policies and issues specific directives, which maintain standards of accounting and financial management. The Fund maintains systems of financial management and internal control which gives due consideration to costs, benefits and risks. They are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded to maintain accountability of government funds and safeguard the assets under the Fund's administration. The Fund also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization.

At the request of the Fund, these financial statements have been examined by external auditors, their role being to express an opinion as to whether the financial statements present fairly the financial position as at March 31, 2010, and the results of operations and cash flow for the year then ended in accordance with the accounting principles for revolving funds of the Government of Canada as described in Note 2 to the financial statements.

Approved by:



Mary Carman  
Commissioner of Patents,  
Registrar of Trade-marks and  
Chief Executive Officer



André Rousseau, CGA  
Director, Finance Branch

May 14, 2010

Audited financial statements

**Deloitte.**

Deloitte & Touche LLP  
800 - 100 Queen Street  
Ottawa, ON K1P 5T8  
Canada

Tel: (613) 236-2442  
Fax: (613) 236-2195  
[www.deloitte.ca](http://www.deloitte.ca)

## Auditors' Report

To the Deputy Minister,  
Industry Canada

We have audited the statement of financial position of the Canadian Intellectual Property Office Revolving Fund (the "Fund") as at March 31, 2010 and the statements of operations and net liabilities and of cash flow for the year then ended. These financial statements have been prepared to comply with Section 4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities and the Revolving Funds Act. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles for revolving funds of the Government of Canada as described in Note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the Fund and the Treasury Board Secretariat for reporting on the use of the Fund Authority. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants

May 14, 2010

Statement of Authority Provided (Used) (Unaudited)  
for the year ended March 31, 2010 (in thousands of dollars)

	2010		2009 (Restated - Note 3)	
	Estimates	Actual	Estimates	Actual
Net results	3 397	3 085	3 252	8 363
Add: items not requiring the use of funds	5 562	3 238	5 960	2 682
Operating source of funds	8 959	6 323	9 212	11 045
Less: items requiring use of funds				
Net capital acquisitions	8 000	2 741	8 000	1 736
Net other assets and liabilities	(243)	2 262	6 064	(3 617)
Authority provided (used)	1 202	1 320	(4 852)	12 926

*The accompanying notes form an integral part of these financial statements.*

Reconciliation of Unused Authority (Unaudited)  
as at March 31, 2010 (in thousands of dollars)

	2010	2009 (Restated - Note 3)
Debit balance in the accumulated net charge against the Fund's authority (ANCAFA)	(147 981)	(150 106)
Transfer from Treasury Board for employee termination benefits	—	(309)
	(147 981)	(150 415)
Add: payable at year-end (PAYE) charges against the appropriation account after March 31	6 484	7 254
Less: amounts credited to the appropriation account	1 563	2 360
Other items	5 696	1 915
Net authority provided, end of year	(148 756)	(147 436)
Authority limit	5 000	5 000
Unused authority carry forward	153 756	152 436

*The accompanying notes form an integral part of these financial statements.*

## Audited financial statements

Statement of Financial Position  
as at March 31, 2010 (in thousands of dollars)

	2010	2009 (Restated - Note 3)
<b>Assets</b>		
Current		
Petty cash	2	2
Accounts receivable		
Government of Canada	34	715
Outside parties	1 529	1 646
Unbilled revenues	7 676	7 082
Prepaid expenses	1 025	232
	<u>10 266</u>	<u>9 677</u>
Capital assets (Note 4)	10 465	11 965
Unbilled revenues	1 441	1 252
	<u>22 172</u>	<u>22 894</u>
<b>Liabilities</b>		
Current		
Deposit accounts	3 441	2 888
Accounts payable		
Government of Canada	2 724	678
Outside parties	5 112	11 612
Deferred revenues	39 866	39 259
	<u>51 143</u>	<u>54 437</u>
Employee termination benefits (Note 5)	14 695	9 909
Deferred revenues	45 284	52 708
	<u>59 979</u>	<u>62 617</u>
Contractual obligations (Note 7)		
Contingencies (Note 11)		
<b>Net liabilities (Note 6)</b>	<u>(88 950)</u>	<u>(94 160)</u>
	<u>22 172</u>	<u>22 894</u>

*The accompanying notes form an integral part of these financial statements.*

## Audited financial statements

Statement of Operations and Net Liabilities  
for the year ended March 31, 2010 (in thousands of dollars)

	2010	2009 (Restated - Note 3)
Revenues	149 488	142 936
Expenses		
Salaries and employee benefits	97 542	91 519
Professional services	26 397	25 162
Amortization of capital assets	4 241	3 704
Accommodation	8 630	8 226
Materials and supplies	1 328	1 467
Information	311	323
Communications	836	793
Travel	681	959
Freight and postage	478	472
Repairs and maintenance	889	1 059
Training	763	687
Rentals	174	202
Bad debt expense	2	—
	142 272	134 573
Net results before adjustment	7 176	8 363
Adjustment for employee termination benefits (Note 5)	(4 091)	—
Net results	3 085	8 363
Net liabilities, beginning of year	(94 160)	(91 770)
Net financial resources provided and change in the ANCAFA account, during the year	2 125	(10 753)
Net liabilities, end of year	(88 950)	(94 160)

*The accompanying notes form an integral part of these financial statements.*

## Audited financial statements

Statement of Cash Flow  
as at March 31, 2010 (in thousands of dollars)

	2010	2009 (Restated - Note 3)
Operating activities		
Net results	3 085	8 363
Add: Amortization of capital assets	4 241	3 704
	<u>7 326</u>	<u>12 067</u>
Changes in working capital (Note 8)	(3 883)	(3 445)
Changes in other assets and liabilities		
Unbilled revenues	(189)	495
Employee termination benefits	4 786	422
Deferred revenues	(7 424)	2 950
	<u>(2 827)</u>	<u>3 867</u>
Net financial resources provided by operating activities	616	12 489
Investing activities		
Acquisition of capital assets	(2 741)	(1 736)
Net financial resources provided and change in the ANCAFA account, during the year	(2 125)	10 753
ANCAFA, beginning of year	150 106	139 353
ANCAFA, end of year (Note 6)	<u>147 981</u>	<u>150 106</u>

*The accompanying notes form an integral part of these financial statements.*

# Notes to financial statements for the year ended March 31, 2010 (tabular amounts in thousands of dollars)

## 1 — Authority and purpose

The Canadian Intellectual Property Office Revolving Fund (the “Fund”) grants or registers exclusive ownership of intellectual property (IP) in Canada. In exchange, the Fund acquires IP information and state-of-the-art technology which it disseminates to Canadian firms, industries and individuals to improve economic performance and competitiveness, and to stimulate further invention and innovation.

The Fund was established on April 1, 1994. The authority to make expenditures out of the Consolidated Revenue Fund, was granted on February 22, 1994, and has an authorized limit of \$15 million. During the fiscal year ended March 31, 2002, the Fund’s authorized limit was reduced from \$15 million to \$5 million. The Fund has continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits. The Fund may retain surpluses to continue to automate operations.

Pursuant to Treasury Board decision # 833200 (Budget 2006 Spending Restraint), dated November 30, 2006, and effective in 2006–2007, the Fund transferred \$50 million of its accumulated surplus to the accumulated net charge against the Fund’s authority (“ANCAFA”).

The Fund is not subject to income taxes.

## 2 — Significant accounting policies

### **Basis of accounting**

The financial statements have been prepared in accordance with the reporting requirements for revolving funds as described by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because:

- services received without charge from other government departments are not reported as expenses;
- vacation pay and employee termination benefits liability are based on management’s estimates rather than based on actuarial valuations; and
- contingent liabilities are disclosed rather than recorded.

The significant accounting policies are as follows:

## Notes to financial statements

### Revenue recognition

Fees received for processing patent, trade-mark and industrial design applications are recorded as deferred revenues until services are rendered, at which time they are recorded as revenue. Detailed inventory counts of applications are used to determine the amount of deferred revenue taking into account the fee schedule related to the application. Different rates may be charged depending of the size of the entity. Abandonments during the application process are recorded as earned revenue. When work is completed prior to the receipt of the fee, the amount is recorded as unbilled revenue. Fees are prescribed by various orders-in-council.

### Capital assets and amortization

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives, beginning in the month after acquisition, as follows:

Software	3 years
Hardware	3–5 years
Leasehold improvements	5 years
Furniture	10 years
Equipment	10 years
Systems	Estimated useful life, beginning in the year of deployment

### Employee termination benefits

Employees of the Fund are entitled to specified termination benefits, calculated based on salary levels in effect at the time of termination as provided for under collective agreements and conditions of employment. These benefits are accrued as employees render the services necessary to earn them.

### Pension plan

Employees of the Fund are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by the Fund to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Fund and are charged to operations on a current basis. The Fund is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for the indexation of payments under the *Supplementary Retirement Benefits Act*.

### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Revenues, the estimated useful lives of capital assets and salary related liabilities are the most significant items for which estimates are used. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

## Notes to financial statements

## 3 — Prior year adjustment

During the fiscal year, the Fund discovered that prior year deferred revenue were understated and earned revenue were overstated. The understatement of the deferred revenue was due to a misinterpretation of one of the data received for financial reporting purposes. As such, the Fund restated its comparative financial statements for the 2008–2009 financial year. The following table details the effects of the restatement on the comparative financial statements.

Financial statements line item	Prior year amount	Restated prior year amount	Variance
<b>Statement of financial position</b>			
Deferred revenue short term	39 259	39 259	—
Deferred revenue long term	49 643	52 708	3 065
Net liabilities	91 095	94 160	3 065
<b>Statement of operations and net liabilities</b>			
Revenues	144 560	142 936	(1 624)
Net results	9 987	8 363	(1 624)
Net liabilities, beginning of year	90 329	91 770	1 441
Net liabilities, end of year	91 095	94 160	3 065
<b>Statement of cash flow</b>			
Net results	9 987	8 363	(1 624)
Deferred revenues	1 326	2 950	1 624

## 4 — Capital assets and accumulated amortization (in thousands of dollars)

Capital assets	Balance at April 1, 2009	Acquisitions	Disposals	Balance at March 31, 2010
Leasehold improvements	22 110	22	—	22 132
Software	9 753	554	193	10 114
Hardware	1 793	—	22	1 771
Equipment	31	—	—	31
Furniture	115	182	—	297
Systems				
INTREPID	3 983	—	—	3 983
TechSource	7 984	—	2 623	5 361
Other	12 594	—	23	12 571
Systems under development	698	1 983	—	2 681
Total	59 061	2 741	2 861	58 941

## Notes to financial statements

<b>Accumulated amortization</b>	<b>Balance at April 1, 2009</b>	<b>Amortization</b>	<b>Decrease</b>	<b>Balance at March 31, 2010</b>
Leasehold improvements	19 687	1 124	—	20 811
Software	7 479	1 290	193	8 576
Hardware	1 648	53	22	1 679
Equipment	4	3	—	7
Furniture	10	21	—	31
Systems				
INTREPID	3 916	62	—	3 978
TechSource	6 361	541	2 623	4 279
Other	7 991	1 147	23	9 115
Systems under development	—	—	—	—
	<u>47 096</u>	<u>4 241</u>	<u>2 861</u>	<u>48 476</u>
	<u>11 965</u>			<u>10 465</u>

## 5 — Employee termination benefits

Until March 31, 2009, employee termination benefits earned prior to an employee joining the Fund were a liability of the Treasury Board and accordingly were not recorded in the financial statements. The liability for benefits earned after an employee joins the Fund was recorded in the accounts as the benefits accrue to employees. As of April 1, 2009, the Fund is responsible for all employee termination benefits of its employees. A one-time adjustment of \$4 091 347 was required to record in the accounts the liability for the total benefits earned by employees, regardless of when an employee joined the Fund. The long-term liability account for termination benefits has been adjusted accordingly with an offset against the Fund's accumulated surplus.

	<b>2010</b>	<b>2009</b>
Employee termination benefits	9 909	9 486
Benefits paid during the year	(709)	(558)
Expense for the year	5 495	981
Employee termination benefits, end of year	<u>14 695</u>	<u>9 909</u>

## 6 — Net liabilities (in thousands of dollars)

**Accumulated net charge against the Fund's authority ("ANCAFA")**

The ANCAFA is the cash position of the Fund, held by the Government on behalf of the Fund.

**Accumulated surplus**

The accumulated surplus is an accumulation of each year's surpluses including the absorption of the opening deficit of \$9 448 000 upon establishment of the Fund.

## Notes to financial statements

	<b>2010</b>	<b>2009</b> (Restated - Note 3)
Accumulated surplus, beginning of year	55 946	47 583
Net results	3 085	8 363
Accumulated surplus, end of year	59 031	55 946
ANCAFA, end of year	(147 981)	(150 106)
Net liabilities	<u>(88 950)</u>	<u>(94 160)</u>

## 7 — Contractual obligations (in thousands of dollars)

The Fund is engaged in contractual obligations for:

Information technology services with Public Works and Government Services Canada	2011	4 800 <u>4 800</u>
Operating leases for its office premises	2011 2012 2013	8 849 8 953 9 071 <u>26 873</u>
Applications development and maintenance support within the framework of the Continued Systems Improvements Program	2011	2 193 <u>2 193</u>
Searching services and access to online databases	2011	1 880 <u>1 880</u>

## 8 — Changes in working capital (in thousands of dollars)

Components of the changes in current assets and liabilities include:

	<b>2010</b>	<b>2009</b>
Accounts receivable	798	922
Unbilled revenues (short term)	(594)	308
Prepaid expenses	(793)	(61)
Deposit accounts	553	549
Accounts payable	(4 454)	(4 799)
Deferred revenues (short term)	607	(364)
	<u>(3 883)</u>	<u>(3 445)</u>

## Notes to financial statements

### 9 — Related party transactions

Through common ownership, the Fund is related to all Government of Canada created departments, agencies and Crown corporations. Payments for accommodation, translation, legal services, compensation and benefits services, mail services, security services, and mainframe and computing services are made to related parties in the normal course of business.

### 10 — Insurance

The Fund does not carry insurance on its property. This is in accordance with the Government of Canada policy of self-insurance.

### 11 — Contingencies

#### **Sick leave**

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in future years cannot reasonably be determined and accordingly have not been recorded in the accompanying financial statements. Payments of sick leave benefits are included in current operations as incurred.

# Additional financial information

## Revolving fund

As an SOA within IC, with a revolving fund authority, CIPO finances its operations entirely from revenues generated by fees received from the provision of IP services.

The financial statements of CIPO's Revolving Fund (the "Fund") have been prepared in accordance with the reporting requirements for revolving funds described by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because services received without charge from other government departments are not reported as expenses; the expenses and liability for termination benefits excludes the portion not funded by the Fund; and contingent liabilities are disclosed rather than recorded. Some of the information included in these financial statements is based on management's best estimates and judgment, with due consideration given to materiality.

CIPO develops accounting policies and maintains the financial systems and internal controls necessary to fulfill its accounting and reporting responsibilities. By adhering to sound financial management practices and internal accounting controls, CIPO's financial administration provides reasonable assurance that transactions are recorded and executed in accordance with its authority, and that its assets are safeguarded.

In the context of modern comptrollership, and to improve managerial accountability and reporting, external auditors are hired to examine the financial statements and to express an opinion as to whether they present fairly CIPO's financial position at year-end.

## Management report

### **Balance sheet**

The balance sheet of the Fund reveals that CIPO is in good financial health. At the end of March 2010, the balance sheet (Note 6) indicates an accumulated net charge against the fund's authority (ANCAFA — representing the cash situation of the Fund) of \$148.0 million or \$59.4 million if current and long-term deferred revenues and deposit accounts are excluded. An amount of \$9.1 million is recorded under unbilled revenues, which represents the value of work completed prior to the receipt of the fee. This relates mainly to trade-mark examinations and registrations where part of the examination fee is received before the work starts (recorded under deferred revenues) and the second part is received after the work is completed and accounted for under the unbilled revenues.

The capital assets of \$10.5 million, net of depreciation, represent mainly the net value of the Product Lines systems, the leasehold accommodation, and IT systems and software under development. Every year, investments are made to increase an IT capability that is closely aligned with CIPO's business objectives and requirements.

## Additional financial information

Under liabilities, the current and long-term deferred revenues of \$39.9 million and \$45.3 million, respectively, represent the prepaid amount for services to be provided in the near future and are directly linked with the inventory of patent and trade-mark files to be examined. Note the total current deferred revenues account represents the equivalent of the work to be performed during the coming year. The accounts payable of \$7.8 million represents a decrease of \$4.5 million from last year and are mainly related to payables to outside parties. Employee termination benefits were adjusted upwards by \$4.1 million to record in the accounts the liability for the total benefits earned by employees as required by Treasury Board policy on revolving funds. Other financial elements of assets and liabilities remain relatively stable.

The accumulated surplus stands at \$59.0 million as of March 31, 2010. The accumulated surplus ensures that CIPO will be able to remain both fiscally responsible and viable and will be in the position to maintain and improve service levels. This includes for instance, reducing TATs and investing in the renewal and expansion of IT systems for the delivery of improved products and services to meet the evolving needs of clients, international obligations and to keep pace with the product and service offerings of other international IPOs.

## Income statement

Revenues for fiscal year 2009–2010 equal \$149.5 million which represents an increase of \$6.5 million (4.6% over the previous fiscal year). Expenditures for the same period were \$142.3 million, an increase of \$7.7 million (5.7% over last year). This is mainly due to increased salary expenditures as CIPO continued to hire new examiners. This investment in human resources has already had a significant positive impact on TATs in many areas. CIPO had a net income of \$7.2 million before a one-time adjustment of employee termination benefits as noted above, for a net income of \$3.1 million.

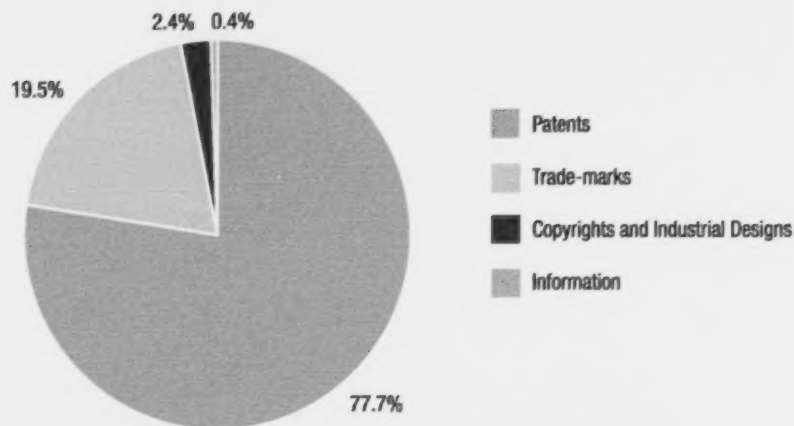
For more detail on revenues and expenditures, please refer to the charts in Appendix B.

# Appendix A: Key activities

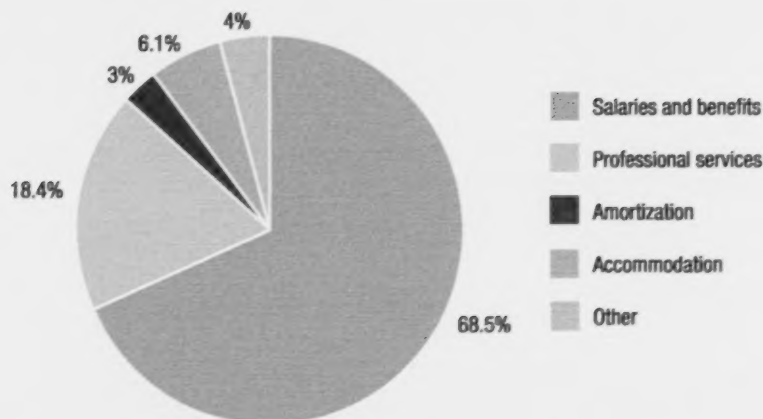
	2007–2008	2008–2009	2009–2010
<b>Applications</b>			
Patents	41 321	40 796	37 375
National	10 642	9 961	9 121
Patent Cooperation Treaty	30 679	30 835	28 254
Trade-marks	47 586	43 526	42 213
Copyrights	9 321	8 424	9 171
Industrial designs	5 174	4 864	4 598
Integrated circuit topographies	—	2	—
International Search Authority (ISA)	2 385	2 246	2 202
International Preliminary Examining Authority (IPEA)	430	331	368
<b>Requests for examination</b>			
Patents	27 116	30 376	30 187
<b>Disposals</b>			
Patents	33 673	35 188	39 108
<b>Grants/Registrations</b>			
Patents	18 554	18 251	20 118
Trade-marks	25 314	26 697	26 002
Copyrights	9 254	8 273	9 021
Industrial designs	5 947	5 659	5 078
Integrated circuit topographies	—	2	—
<b>Abandonments</b>			
Trade-marks	15 243	18 221	18 482
Copyrights	132	140	180
Industrial designs	427	482	416
<b>Maintenance/Renewals</b>			
Patents	307 382	308 249	306 856
Trade-marks	8 688	9 104	9 984
Industrial designs	1 259	1 807	1 575
<b>Assignments</b>			
Patents	43 911	41 215	39 983
Trade-marks*	13 353	14 610	14 382
Copyrights	2 009	1 335	1 334
Industrial designs	2 265	1 814	1 248
Integrated circuit topographies	—	—	—
* Changed retroactively to no longer reflect amendments and assignments			
<b>Enquiries</b>			
Patents	21 615	19 105	14 536
Status requests (patents)	735	1 249	1 702
Trade-marks	20 870	23 555	22 021
Copyrights	7 430	7 859	6 915
Industrial designs	1 076	1 105	1 105
Integrated circuit topographies	10	18	20
General information	19 114	19 811	25 998
Total enquiries	70 850	72 702	72 297

## Appendix B: Financial charts

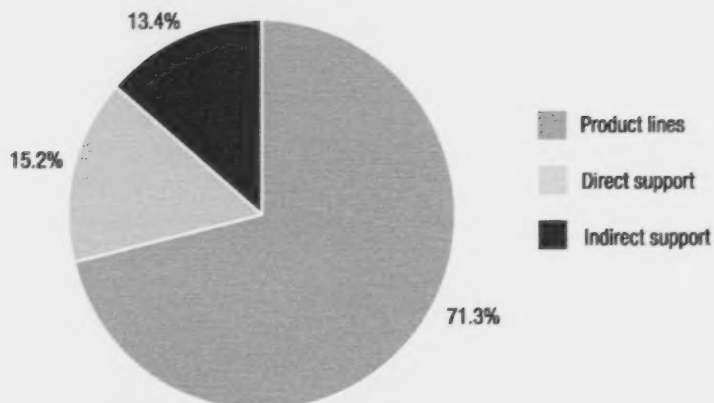
**Figure 1** Revenues by products and services



**Figure 2** Operating expenditures by category



**Figure 3** Expenditures by branch grouping



## Appendix B

Figure 4 Patent revenues

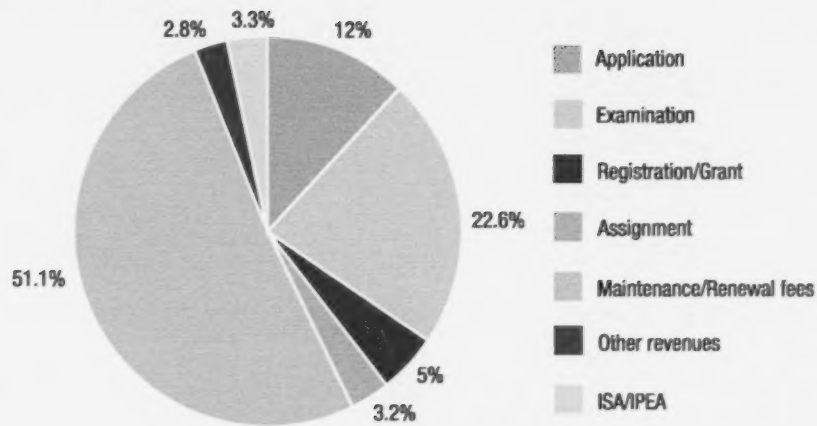


Figure 5 Trade-mark revenues

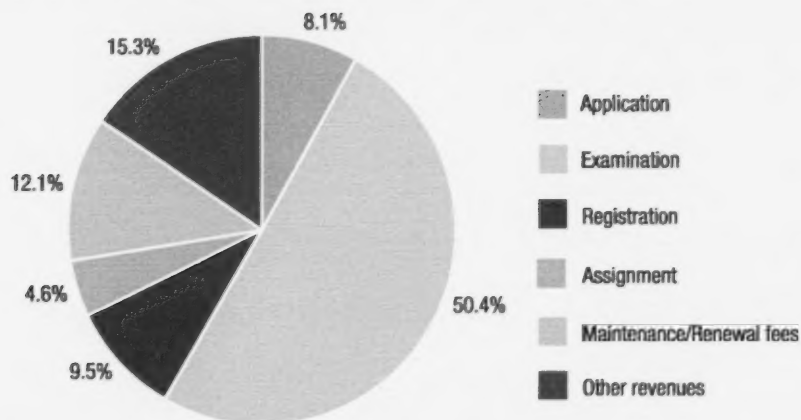
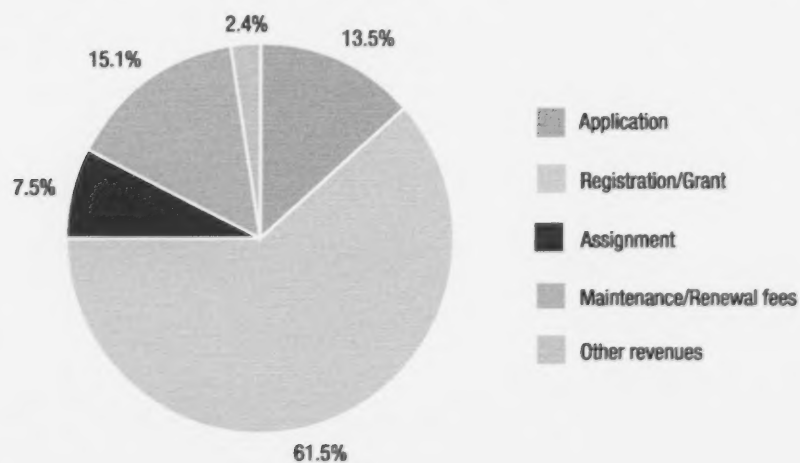


Figure 6 Copyright and industrial design revenues



# List of supplementary tables and figures available online

[http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h\\_wr00094.html](http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h_wr00094.html)

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## Appendix C: Client service commitments

The following highlights CIPO's performance, on average, against its client service standards for 2009–2010. Please note that in the areas that we underperformed by 10% or more, explanatory notes have been included.

Services	Commitments	Results	Explanation
<b>Patent Branch</b>			
<b>Examination – TATs</b>	Results by March 31, 2010 are: 80% of applications with a request for examination will be waiting for a first substantive office action less than (by specialty):		
Percentage of inventory of applications with a request for examination waiting for a first office action	Biotechnology – 24 months	86%	
	Electrical – 33 months	86%	
	Mechanical – 18 months	86%	
	Organic chemistry – 21 months	93%	
	General chemistry – 21 months	88%	
<b>Patent Appeal Board</b>			
<b>Patents and Industrial Designs</b>	By March 31, 2010:		
Oral hearing date	Oral hearing for applications referred to the PAB before January 2008	100%	
Decision issued	By March 31, 2010: 80% of applications referred to the PAB before 2008	34%	Changes in practices and jurisprudence have imposed additional steps and time required; further delays were encountered as high priority applications referred to the PAB after 2008 were reviewed.

## Appendix C

<b>Services</b>	<b>Commitments</b>	<b>Results</b>	<b>Explanation</b>
<b>Trade-marks Branch</b>			
Approve acceptable applications or issue first examination reports	Within 6.5 months	6.4 months	
Respond to client correspondence received subsequent to a first action	Within 4 months of receipt of correspondence	3.5 months	
<b>Trade-marks Opposition Board</b>			
<b>Oral hearing date</b>			
Opposition	Within 14 months of receipt of request (no postponements)	12 months	
Section 45	Within 18 months of receipt of request	11 months	
<b>Decisions issued</b>			
Non-hearing Opposition	Within 11 months of file being ready for decision	9 months	
Non-hearing Section 45	Within 13 months of file being ready for decision	10 months	
<b>Industrial Design Division</b>			
Issue filing certificate or issue report indicating industrial design application is incomplete	Within 3 weeks of receipt of application	2.2 weeks	
Examine application to assess the registrability of the design; allow the design or issue first examiner's report	Within 9 months of receipt of application	6.2 months	

## Appendix C

Services	Commitments	Results	Explanation
<b>Copyright Office</b>			
<b>Register a copyright and issue a certificate</b>			
For applications received by mail	Within 7 working days of receipt of application and fees	6.2 days	
For applications filed electronically	Within 5 working days of receipt of application and fees	3 days	
<hr/>			
Register a grant of interest and issue a certificate for a copyright	Within 12 working days of receipt of application and fees	6.2 days	
<hr/>			
<b>Client Service Centre (Information Branch)</b>			
Respond to telephone enquiries or voice mail	Immediately upon receipt or call will be returned within 24 hours	88.8%	
<hr/>			
Respond to general correspondence, email and fax requests	Within 48 hours upon receipt	88.8%	
<hr/>			
Provide access to an information officer (on site)	Within 10 minutes of client's request	88.8%	
<hr/>			
Send IP publications	Publications will be mailed within 48 hours	88.8%	
<hr/>			
<b>Reproduction and Sales Section (Information Branch)</b>			
Send photocopies of patent, trade-mark and copyright documents in paper or electronic form	Within 72 hours of receipt of request and with proof of payment	96.3%	
<hr/>			
Send certified copies of patent, trade-mark and copyright documents in paper form	Within 72 hours of receipt of request and with proof of payment	96.3%	
<hr/>			

# Appendix D: Senior Executive Management team and business development officers

## Senior Executive Management team

### **Commissioner of Patents, Registrar of Trade-marks and Chief Executive Officer**

Mary Carman  
Tel.: 819-997-1057  
Fax: 819-997-1890  
Email: [mary.carman@ic.gc.ca](mailto:mary.carman@ic.gc.ca)

### **Assistant Commissioner of Patents and Director, Patent Branch**

Barney de Schneider  
Tel.: 819-997-1947  
Fax: 819-994-1989  
Email: [barney.deschneider@ic.gc.ca](mailto:barney.deschneider@ic.gc.ca)

### **Acting Executive Director, Corporate Strategies and Services**

Deborah Davis  
Tel.: 819-997-2186  
Fax: 819-997-1890  
Email: [deborah.davis@ic.gc.ca](mailto:deborah.davis@ic.gc.ca)

### **Senior Advisor to the CEO**

Joanne Rae  
Tel.: 819-956-0505  
Fax: 819-997-1890  
Email: [joanne.rae@ic.gc.ca](mailto:joanne.rae@ic.gc.ca)

### **Director, Enterprise Solutions Branch**

Daniel Boulet  
Tel.: 819-953-3995  
Fax: 819-997-5016  
Email: [daniel.boulet@ic.gc.ca](mailto:daniel.boulet@ic.gc.ca)

### **Chair, Patent Appeal Board**

Agnès Lajoie  
Tel.: 819-997-2949  
Fax: 819-997-5052  
Email: [agnes.lajoie@ic.gc.ca](mailto:agnes.lajoie@ic.gc.ca)

### **Director, Trade-marks Branch**

Lisa Power  
Tel.: 819-997-2423  
Fax: 819-997-1421  
Email: [lisa.power@ic.gc.ca](mailto:lisa.power@ic.gc.ca)

### **Acting Director, Information Branch**

Denis Simard  
Tel.: 819-934-7594  
Fax: 819-953-7620  
Email: [denis.simard@ic.gc.ca](mailto:denis.simard@ic.gc.ca)

### **Chair, Trade-marks Opposition Board**

Darlene Carreau  
Tel.: 819-997-2469  
Fax: 819-997-5092  
Email: [darlene.carreau@ic.gc.ca](mailto:darlene.carreau@ic.gc.ca)

### **Acting Director, Copyright and Industrial Design Branch**

Félix Dionne  
Tel.: 819-953-1601  
Fax: 819-953-6977  
Email: [felix.dionne@ic.gc.ca](mailto:felix.dionne@ic.gc.ca)

### **Manager, Corporate Communications**

John Embury  
Tel.: 819-953-8077  
Fax: 819-997-5052  
Email: [john.embury@ic.gc.ca](mailto:john.embury@ic.gc.ca)

## Business development officers

**Atlantic Region**

Cécile Klein  
Canadian Intellectual Property Office  
Industry Canada  
Canada–Nova Scotia Business Service Centre  
1575 Brunswick Street  
Halifax NS B3J 3K5  
Tel.: 902-426-2172  
Fax: 902-426-6530  
Email: [cecile.klein@cbsc.ic.gc.ca](mailto:cecile.klein@cbsc.ic.gc.ca)

**Ontario**

Dumitru Olariu  
Canadian Intellectual Property Office  
Industry Canada  
Suite 603, 880 Ouellette Avenue  
Windsor ON N9A 6L7  
Tel.: 519-971-2049  
Fax: 519-791-0151  
Email: [dumitru.olariu@ic.gc.ca](mailto:dumitru.olariu@ic.gc.ca)

**Quebec**

Caroline Lefebvre  
Canadian Intellectual Property Office  
Industry Canada  
Place du Portage I  
Room C-227-86C  
50 Victoria Street  
Gatineau QC K1A 0C9  
Tel.: 819-956-8433  
Fax: 819-953-7620  
Email: [caroline.lefebvre@ic.gc.ca](mailto:caroline.lefebvre@ic.gc.ca)

**Western Region**

Michel Loiselle  
Canadian Intellectual Property Office  
Industry Canada  
400 St. Mary Avenue, 4th Floor  
Winnipeg MB R3C 4K5  
Tel.: 204-983-2687  
Fax: 204-984-4329  
Email: [michel.loiselle@ic.gc.ca](mailto:michel.loiselle@ic.gc.ca)